

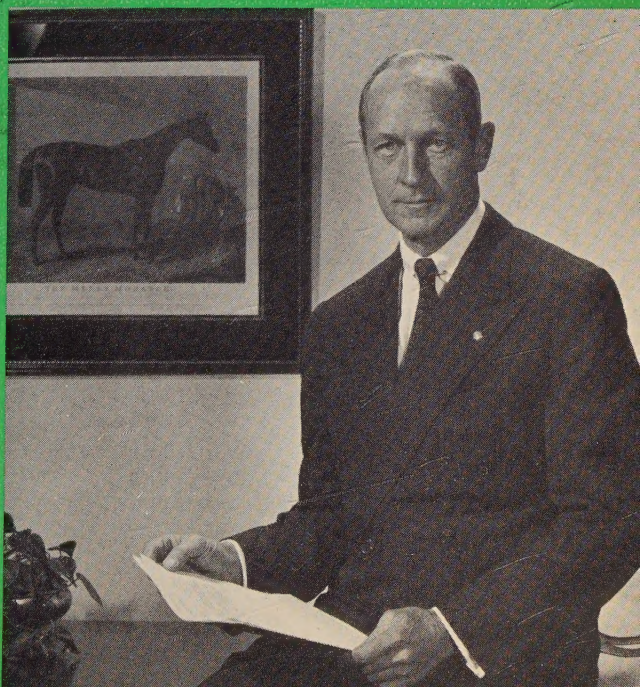
June 21, 1961

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Investor's Reader

For a better understanding of business news

ANDERSON SUPPLEE
PUTS ATLANTIC
BACK IN OIL RACE
(see page 20)





PERFECT MIXER

This model is testing the "world's first automated martini," developed by the AutoBAR Systems division of American Machine and Metals Inc (known as AME on the Big Board). An offshoot of AutoBAR's ten-year-old single-bottle dispenser, this Cocktailmatic mixer can be pre-set to serve dry, very dry or "dusty" drinks. Then at the mere touch of a button it will dispense up to three perfectly proportioned martinis at a time. It can just as readily be assigned to manhattan or vodkatini preparation.

Although the mixer is suggested "for the executive who has everything

else" at a mere \$325, AME aims primarily at the restaurant & hotel markets. The price tag for commercial use is \$365 because of an extra set of necklocks. Both household and commercial models feature an electro-mechanical device which automatically counts the drinks "as they flow past" to provide exact liquor inventory control.

AutoBAR products may seem far afield for AME which derived half its \$50,400,000 sales last year from gauges for industry & defense but president Charles W Anderson explains they are "precise control devices which we are able to make because of our many years of experience." The company also turns out fractional horsepower electric motors (about a quarter of sales), centrifuges, industrial laundries, springs, and Glaser-Steers record changers.

Despite AME expansion and acquisition efforts, reduced military shipments caused sales to slip 1% last year from peak year 1959. Earnings fell to \$1,900,000 or \$2.13 a share from \$3.37 in 1959 due to "a significant amount of extraordinary startup expenses." First quarter 1961 profits plummeted further to 49¢ from 81¢ (the latter included a 14¢ non-recurring gain) but "second quarter earnings will be considerably better—maybe 30%." President Anderson expects a \$2.75-to-\$3 year. He comments sales have doubled in the last decade "and we hope the next ten will see an equivalent growth." Another growth item: management has increased dividends every year since 1950. The current quarterly rate is 40¢.

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Investor's Reader

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Rail-Rocked Rail Equipment Industry

**Low Business Level Leads
To Speculation; Improvement
May Be In Sight**

THE Big Board ticker last month started to carry the symbol GSI instead of GSE. It marked the formal switch in name to General Steel Industries Inc by the General Steel Castings Corp. The St Louis area manufacturer wanted its name to draw attention to the "growing diversification of its products" which now include a wide variety of industrial castings & parts, armor plate and railway passenger cars as well as rail parts (IR, January 18).

This is but the latest example of the postwar flight by many corporations from names associating them with the railroad equipment business (though often key subsidiaries which serve the railroads retain the old moniker). American Locomotive became Alco Products in 1955; American Car & Foundry turned into ACF Industries in 1959 and in the

same year Pressed Steel Car broke sharply with the past by adopting the name of US Industries as it abandoned rail equipping completely. And as an indication of the continuing trend, a couple of months ago American Brake Shoe revealed it has name switching plans "to clarify the fact that we are not principally a rail equipper [IR, March 15]."

The restyling of course extends beyond the mere psychological impact of nomenclature to the dollar & cents effect (profitable or otherwise) of new operations. Diversification efforts have included everything from highway trailers to boats to water softeners to electronics. All this evidences the diffidence with which both investors and management view rail equipment—a once sturdy but highly volatile industry with volume over \$2 billion a year in "good times." Inevitably it has suffered from the sharp slump in

railroad fortunes since War II.

Besides, in a series of mediocre-to-poor rail years like 1958-59-60 many a road hesitates to commit itself to major purchases of new equipment and often even postpones as much maintenance as possible. As a result, orders for new freight cars dropped from a postwar high of 157,000 in 1955 to 36,000 last year.

Focusing on the nearer term, conditions still appear to justify a rather gloomy view. Last year was a disappointing one and improvement looked for this year has not yet materialized. But there are a few soft whispers of optimism—based perhaps on the judgment the industry has only one way to go. Only the other week president Joseph B Lanterman of American Steel Foundries noted strength has developed in car building in recent weeks and commented “we are optimistic this pick-up will continue.”

To look at the recent record, expenditures for new equipment last year exceed 1959 by 12%. But they started on a downtrend midway through the year. While freight car installations exceeded 1959 by 9%, the number of cars on order at year-end was less than half that of a year before.

So far this year equipment orders are lagging badly. Freight car backlog at the end of April totaled 13,700, lowest in eleven years, compared to 41,000 one year ago. Cars delivered in the first four months came to 12,300 *v* 19,400 in 1960. Comments Walter A Renz, secretary-treasurer of the American Railway Car Institute which tallies these figures: “We

are getting some specialized orders but that’s about all. However in these hungry times even a 500-car order looks good.” Meantime industry car builders have proved within the past ten years they can build 10-to-12,000 cars a month, not counting railroad shops which do about one-third of total car manufacturing.

To guard themselves against rail woes, some companies in the industry have developed enough non-rail business so they now tally less than half their revenues from rail equipment manufacturing. Importance of such diversification was evidenced during the first quarter of this year.

Among the more successful companies were:

- Union Tank Car, car lessor which matched 1960 earnings of 56¢ a share “on growing efficiency” though sales declined 13%.

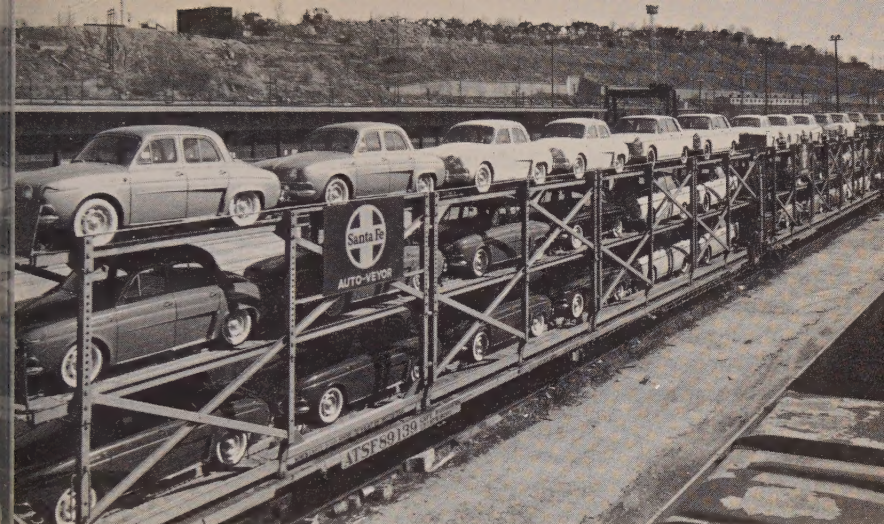
- General Railway Signal which scored 48¢ *v* 46¢ after adjusting both figures to reflect purchase of Regina Corp, a maker of floor polishers. Principal gain: export sales.

- North American Car for which car leasing and terminal storage produced a 5% increase in net income or 53¢ compared to 51¢ earned on fewer shares last year.

- General Steel Industries which doubled per share income to 87¢ from 43¢, primarily thanks to last June’s acquisition of St Louis Car which is working on a New York City subway contract for 550 cars.

Companies which posted declines in the first quarter included:

- Pullman, the largest car builder and also a leader in diversification, whose net dropped to 46¢ a share



Eighteen Renaults ride triple-decked piggyback

from 72¢ reflecting “a continuation of the business conditions which have adversely affected earnings since mid-1960.”

- Westinghouse Air Brake which reported 39¢ a share compared to 48¢ but sees the first quarter as “the start of an upward curve in many of the markets we serve except the railroad industry.”

- American Steel Foundries which earned 84¢ v \$1.21 in the first half of its September year but believes it has about rounded “the low point of the current fiscal year.”

- American Brake Shoe which earned 56¢ a share compared to 64¢, but reports “orders of rail supply equipment have picked up slightly since earlier in the year, will likely improve in the second half.”

Before any sizable comeback can occur however, railroad traffic and revenues must improve. For not only do a majority of railroads lack operating funds to finance improvements but, according to an AAR spokes-

man, “their current depressed level of traffic is resulting in a surplus of unused equipment.” Car loadings through May were down nearly 15% from 1960.

Another point: the plethora of rail merger proposals has tended to cut back rail equipment orders as buying agents take a wait & see attitude.

However, with a rise in the general economy, rail business probably will pick up considerably over recent depressed levels. Several longer term factors also augur improvement.

Most basic reason is the size and nature of the existing railroad car fleet in the US. Now at a 19-year low, it is getting even smaller as well as more creaky and outmoded as car retirements continue to exceed new car installations. Last year the freight car fleet dropped 16,000 cars or another 1.1% to 1,662,000 cars and in the first four months of this year only 9,000 freight cars were added v 21,000 cars retired.

Another hopeful note is the indus-

try's continued strides in equipment modernization. This is borne out, albeit somewhat negatively, by chairman Thomas Miller Thompson of General American Transportation: "What equipment demand there is, is for our Airslide, Dryflow and other recently developed cars for particular hauling jobs." Another popular item is the multi-level car rack for automobile transport including some triple-deckers (see picture, page 3).

Apart from car builders, other equipment suppliers are expected to benefit as higher speeds, heavier freight loadings and increased automation impose higher standards for signals, trackwork and the like. An additional boost to equipment modernization could come from improved depreciation schedules.

Transit Upswing

One phase of traditional car building now on the upswing is municipal transit equipment. For instance, General Steel Industries president Charles P. Whitehead reports his company's St. Louis Car subsidiary, leading producer for rapid transit systems, built 110 transit cars last quarter *v* 60 in the final quarter of last year and it currently has a manufacturing backlog of over \$35,000,000 compared to \$30,000,000 a year ago. The transit car potential seems good since shortages of modern facilities are underscored almost daily by references to the nation's increasingly snarled commuter and transit problems. A bill by Senator Harrison Williams of New Jersey would provide \$325,000,000 in Federal aid to metropolitan areas plagued with transit problems.

A more immediate boon to subway car builders may come next Fall when the New York State Legislature is due to take up a proposal to let New York City borrow \$200,000,000 to buy 1,800 cars.

But until or unless a real pickup comes, rail equipment manufacturers will continue to pay for their identification with the industry. In the Merrill Lynch stock price index the rail equipment group had fallen 60% behind the 540-stock composite by last Fall, its worst lag since the index was started in 1940. Lately the group has joined in the general market upswing which has carried a number of individual stocks like General Railway Signal, American Steel Foundries and Pullman close to postwar highs. Other stocks in the group like American Brake Shoe, New York Air Brake and Westinghouse Air Brake have also managed to hit near-term peaks but are still well below the levels of earlier highs. A somewhat different case: General American Transportation with its large car lease business swept to an alltime high of 86 early this year but has since dropped back six points.

One basic consideration is that to the extent these companies depend on rail equipment business they must maintain highly specialized facilities. It makes their operations relatively inelastic and commits them to heavy overhead. However, for the majority of the companies now reasonably stabilized by diversification, the turnabout could consequently be substantial when & if they can add normal rail equipment profits to existing operations.

FOREIGN CORP NAMES AGs, KKs, SAs, Join Ltds on US Scene

WITH AMERICAN COMPANIES wandering up & down the face of the globe and foreign companies becoming increasingly well known to US investors and businessmen, the little abbreviations at the end of foreign corporate names are exciting more than their share of curiosity.

The man in the street is probably familiar with the British use of the abbreviation "Ltd." But increasingly the investment-minded American also sees the AG or GmbH used by German-speaking countries, the SA used by French and Spanish-speaking nations and the Japanese KK.

Some of these abbreviations stand for organizations closely resembling US corporations while others refer to forms of business not existing under US law. Basically the leading type of business organization in every major non-Communist country is the stock corporation. In the US these are usually denoted by "Corporation" or "Incorporated." Since "Company" may also be used to denote a partnership, a corporation using "Company" in its title frequently follows it with an "Inc" (example: Chas Pfizer & Co, Inc). However, in many states a corporation is free to style itself simply as "Company" or to use an "Ltd" if it wishes. Whatever the title, the important fact is corporations in the US and publicly held concerns all over the world are truly "limited" in one vital respect: in general the stockholder's liability to the corporation's creditors is limited to the amount of his agreed investment.

British Distinctions. In Commonwealth countries (and most of their relatives and former in-laws) a distinction exists between a public and a private company. The public company is one in which the public may be asked to buy stock or debentures; it must make public a good deal of information about itself. The private company is closely held, may not solicit public participation and has stiff restrictions concerning the transfer of interests. Though this form of company originated in Britain and has its counterpart in many nations outside the Commonwealth, there is nothing in a British corporate title to distinguish a private from a public company; it is simply "Ltd." The same is true of Canada.

In Australia and South Africa the situation is different. The private company is indicated by the abbreviation "Pty Ltd" which means "proprietary limited." Unfortunately for those who wish to keep this distinction clearly in mind, the leading Australian steel company, whose shares are widely held not only in Australia but in Britain and to a certain extent in the US, is known as

Broken Hill Proprietary Ltd. Explains an Australian economic delegate: "This is the exception that proves the rule. Actually BHP was founded before the Companies Act of New South Wales [its home state] was passed. It was so well known by that name that it appealed to have it continued. This was allowed with the understanding that 'proprietary' is part of its name."

The private company has won wide acceptance in many countries not only for family-owned businesses which wish to continue beyond the life of the members (and limit their liability as well) but also for subsidiaries of large corporations, both foreign and domestic. Thus, while the foreign companies best known in the US will bear the abbreviation for a public corporation at the end of their name, the overseas subsidiaries of US companies or the subsidiaries of those well-known foreign companies will show some much more unusual initials.

Foreign Glossary. Some of the more important, together with those denoting "public corporation," are given in the table on pages 7-to-8. In some of the bi-lingual or multi-lingual countries, the same designation may appear in both languages. In Canada, for instance, Ltd turns up as Ltee (for *limitee*) in French-speaking Quebec. In South Africa most companies are registered in English but some are in Afrikaans, language of the politically dominant Boers. The Afrikaans designation for public company is Bpk for *beperk* while private companies bear Edms for *eiensdoms*.

The term *societe anonyme* in French, *sociedad anonima* in Spanish and *sociedade anonima* in Portuguese means literally "anonymous company." The same thought but slightly different semantics is used by the Dutch with their "nameless company" (NV). The idea of anonymity is included in the title in order to distinguish the company from a partnership which normally operates under the name of its owners. Stock companies in those countries are not allowed to use personal names unless the company and its products are so well known as to warrant an exception. Example: Ford (France) SA, Ford's French subsidiary. Often to point out the corporate status of a former partnership, the name of a French or Belgian company will include the abbreviation *Anc Ets* (*anciens etablissement*: former establishment).

Some of the more esoteric types of companies are not included in the tabulation. One interesting one, a hybrid between a partnership and a corporation, is called a *Kommanditaktiengesellschaft* (abbreviated KAG) in German, *societe en commandite par actions* in French and *sociedad en comandita por acciones* in Spanish and *commanditaire vennootschap op aandeelen* in Dutch. It has no counterpart in the US or in the Commonwealth. Full partners

are fully liable, while stockholders are liable only for the payment of their shares. Stock transfer is restricted.

Perhaps more common is the company formed by a combination of general partners and silent partners, a close equivalent of the US limited partnership. In Germany this is known as a *Kommanditgesellschaft* (KG), in the Netherlands as a *commanditaire vennootschap* (CV), in France as a *societe en commandite simple* and in Spanish-speaking countries as a *sociedad en comandita*. In Italian it is *societa in accomandita semplice*, abbreviated SAS. Another version of this, which is used in Latin America, is the *sociedad de capital e industria* in which one group of partners offer capital and are financially liable; another their personal services; the former have unlimited, the latter only limited liability.

A DICTIONARY FOR FOREIGN INVESTORS

Argentina

SA—*sociedad anonima*: No firm (personal) name; transferable shares; at least ten incorporators.

SRL—*sociedad de responsabilidad limitada*: No more than 20 "partners" (25 in some cases); restricted transfer of ownership; not dissolved by a partner's death.

SACI or SAIC—*sociedad de capital e industria* (company of capital and industry): One partner contributes capital and another his labor; only latter's name may appear in firm name.

Australia

Ltd—*limited* (liability company): At least two directors (three in New South Wales) and 5-to-7 "members" (stockholders).

Pty Ltd—*proprietary limited*: Limited liability; closely held; restricted transferability of ownership; maximum 50 members (20 in Western Australia); public subscription prohibited.

NL—*no liability*: Mining company in which shareholders are not required to pay calls for additional capital after original subscription of 5-to-10% of par value of shares; their shares would then be forfeited and sold at public auction.

Belgium

SA—*societe anonyme* (see France): At least three directors and seven registrants; one-fifth of each share price must be paid in; par or no par stock; at annual meeting no stockholder may vote over one-fifth of shares outstanding or two-fifths of shares represented at meeting.

SPRL—*societe de personnes a responsabilite limitee* (company of persons with limited liability): Liability limited by shares to amount of subscription; min 2, max 50 shareholders, all individuals; may not be organized for banking or insurance; may not issue bonds.

Brazil

SA—*sociedade anonima*: Shareholders liable only for par value of shares; directors have general management power; all must be Brazilian residents.

Ltda—*sociedade limitada por cotas* (private limited liability company): Each partner liable up to total capital of company, not merely for amount he subscribed; may not sell portion ("quota") without consent of others; nominees may be used by a foreign corporation, including its own subsidiaries.

Britain

Ltd—*limited liability company*:

Public company: Minimum of seven members and two directors; may issue public shares; liability to extent of subscription; no loans to directors.

Private company: 2-to-50 members; needs only one director; costs less to form; less publicity required; transfer of shares restricted; no public subscription for shares or debentures allowed; may make loans to directors.

Canada

Ltd—*limited* (or *Ltee*, meaning *limitee*, in Quebec):

Public company: Shares or debentures may be offered for public sale; no limitation on shareholders, no restriction on transfer of shares.

Private company: The right to transfer shares is restricted; number of members limited to 50; public not asked to take shares or debentures.

France

SA—*societe anonyme* (anonymous company, ie company not bearing names of principal participants, as French partnership would): Minimum seven shareholders; directors must be shareholders; president and chairman must be same man ("president-directeur general"), elected by board; board of auditors elected by shareholders acts as watchdog.

SARL—*societe a responsabilite limitee* (company with limited liability): No transfer without consent of majority of stockholders representing at least three-fourths of outstanding shares; chief executive officer ("gerant") appointed by majority of stockholders; no directors, but if over 20 shareholders, a *conseil de surveillance* is required.

Germany

AG—*Aktiengesellschaft* (stock company): Minimum 1,000 shares; at least three directors with one-third representing labor; board of directors supervises, board of managers rules day-to-day work; stockholders elect directors and managers; stockholders liable only for amount subscribed.

GmbH—*Gesellschaft mit beschaenkter Haftung* (company with limited liability): Directors not required; labor representation not required unless over 500 employees; one or more managers; no public reports; stock usually closely held; bylaws may require approval of transfers by other holders; often used as subsidiaries both by foreign and domestic companies.

Italy

SpA—*societa per azioni* (company [owned] through stock): Minimum capital 1,000,000 lire; balance sheet must be published.

SARL—*societa a responsabilita limitata* (company with limited liability): Minimum capital 50,000 lire; balance sheet must be published; transfer of shares more cumbersome; directors not required.

Japan

KK—*Kabushiki-Kaisha* (stock company): Seven incorporators; any number of shareholders; at least three directors; duties much like those in US corporation; ditto officers.

YK—*Yugen-Kaisha* (limited liability company): Two or more organizers; no more than 50 members; they may vote against transfer of membership interest to outsider; may waive annual meeting by unanimous written consent; minimum one director.

Mexico

SA—*sociedad anonima*: At least 5 shareholders; one or more directors; 25,000 pesos minimum capital.

SdeRL—*sociedad de responsabilidad limitada*: No more than 25 members; shares not negotiable; at least three-fourths of members must consent to any transfer of interest; one or more managers; minimum 5,000 pesos capital.

Netherlands

NV—*naamloze vennootschap* (nameless company): No minimum capital unless listed on Amsterdam Stock Exchange; has board of directors and a managing board, both elected by shareholders.

South Africa

Ltd or Bpk—*limited* or *beperk*: Liability limited to the amount if any of unpaid subscription on stock.

Pty Ltd or Edms—*proprietary limited* or *eiensdoms*: Private company in which trading of interests is restricted; maximum of 50 members; no public subscription of shares or debentures.

Sweden

AB—*Aktiebolag* (stock company): Three incorporators; minimum capital 5,000 kroner (\$965); at least three directors of which at most one-third may be foreign.

Switzerland

AG or SA (see Germany and France): Three organizers but needs only one stockholder; one or more directors; board of managers.

GmbH or SARL (see Germany and France): Two founders; no negotiable certificates; one or more managers; rarely used.

BUSINESS AT WORK

NATIONAL ECONOMY

Venit Vending, Vincit

AUTOMATED SELLING through vending machines strikes most folks as a distinctly postwar phenomenon. But the vending industry also has an eye for prestige from the past. Thus it is currently celebrating its diamond jubilee, tracing its US beginnings to the first patent for a postcard-cigarette vendor granted 75 years ago. For its global debut it must search back to a coin-operated holy water dispenser in early Greece.

STEEL

Universal-Cyclops Eyes Gains

WHEN President William Grove Stewart of Universal-Cyclops Steel Corp addressed the New York Society of Security Analysts early last week he confessed that "in my eagerness [to accept your invitation] I completely overlooked the fact that we were then in a recession along with the steel industry and the economy in general."

With tongue in cheek the 53-year-old chief executive added: "I decided I had better get the picture turned around prior to visiting you today. Unfortunately, I didn't have quite enough time. However I'm sure you are all aware of the recent improvement in the steel industry and I thought you would be interested in knowing who was responsible for it."

The genial overstatement was well received even though the relatively small steel company (it ranks No 20 in sales) would make only a small

dent in the giant industry's average. Also it has an unusually wide product mix which pits it against mighty US Steel at the galvanized steel end (though its rated ingot capacity is only 1.6% of Big Steel's) but lets it stand alone in its specialty fabrication of refractory metals.

Thus Universal-Cyclops does not concentrate on tonnage output but devotes a large portion of its facilities to specialty steels. Its major product is stainless steel which accounts for about one quarter of total sales. Smaller volume specialty items are tool steels, high temperature alloys as well as refractory metals such as molybdenum, columbium, tungsten and tantalum. In the latter field Cyclops has a unique inert atmosphere facility (called InFab) which allows extremely high temperature fabrication of refractory metals.

Specialty steels were Universal-Cyclops' only stock in trade for its first 74 years. Then in 1958 it too was caught up in the wave of product diversification. That year the Bridgeville, Pa company bought basic steel manufacturers Empire Steel and Reeves Steel & Manufacturing, combined them to form wholly owned subsidiary Empire-Reeves Steel Corp. The acquisition doubled the size of the now \$66,000,000-assets company and marked its entrance into the basic steel business. Today galvanized steel volume runs stainless "a close second" and carbon steel makes the No 3 product.

But refractory metals, though the smallest volume item in the line,

made the shiniest showing in recession-ridden 1960. President Stewart stated it was the only category in which the company was able to boost sales last year. Furthermore, "we are quite optimistic about the future growth potential of our Refractomet division."

Bill Stewart could rightfully be proud of having a gainer among his items last year. Even so, of course, overall sales were off 13% from 1959's record \$127,700,000. Profits took an even bigger beating, fell to \$4,353,000 or \$2.25 a share from \$9,061,000 (\$5.09). The story was much the same in the first quarter of this year with sales down nearly one-third and earnings off better than two-thirds to 31¢ v \$1.08 on each of the 1,936,000 shares outstanding. But, president Stewart reminds: "This represents a comparison of what is expected to be the most adverse quarter in the current year with the most outstanding three months of the previous year."

Although 1961 is not expected to set any records, the outlook for the rest of the year continues to brighten. Bill Stewart expects June quarter sales to be 20% ahead of the March period and "earnings will be up substantially—to around 75¢" compared with the 53¢ earned in the June 1960 quarter. As for the third quarter "we expect a leveling off due to plant closings for vacations so that it should be about the same as the second. Then we hope for another 20% jump in the final quarter." Thus if June quarter margins hold full year earnings could reach \$2.70 a share. At any rate, asserts president

Stewart: "We'll do at least as well or better than the industry as a whole."

In response Universal-Cyclops common which trades on the Big Board under the ticker symbol UCS is currently quoted close to its 1961 high of 43. While this is up substantially from a three-year low of 26 in December it is still below the alltime high in the low fifties reached in both 1959 and 1960.

RETAIL TRADE

May Counts & Discounts

DISCOUNT fever seems to have caught up with 84-year-old May Department Stores Company. At the annual meeting last fortnight president Morton David (Buster) May who had just flown into New York from his St Louis headquarters announced to stockholders: "This is the opportune time for our company to carry forward certain important adjustments in merchandising" through "our far-reaching 'Store of the Future' expansion program."

Though conservative retailer May carefully avoids use of the word discount, his plans for the May Store of the Future incorporate a distinct discount feature—self-service, check-out selling of standardized lines such as housewares, sporting goods, economy apparel. At the same time however the new May stores will stick to "personal selling of style and fashion merchandise." Buster May emphasizes: "The discount houses and supermarkets have experienced little success in fashion merchandising. Our ability to combine fashion merchandising with the best of new

selling techniques is a key point in our new program."

May will build "a large number" of its discount-type stores in the eleven metropolitan areas it now serves and "study expansion into new cities." In "most cases" this will involve "building our own stores" though "we have not completely eliminated the possibility of acquiring a chain of discount stores." Unlike many of its retail rivals May prefers to own rather than lease its stores.

May will begin construction of two Stores of the Future later this year. One is slated for the West San Fernando Valley near Los Angeles; the second, subject to zoning approval, southwest of St. Louis. Both will be in new company-owned or partially owned multi-acre shopping centers which will bring May regional centers to eight. The first of the new Stores of the Future will range up to 200,000 square feet, carry "much broader assortments of merchandise than most discount houses."

In addition to his Store of the Future prospects, Buster May also plans some merchandising changes for the company's existing stores. Among them:

- Conversion of all basement-economy units in existing stores to self-service, check-out operations.
- Conversion of the upstairs floors to the same kind of operation "wherever it will add to the shopper's convenience." This is already in progress at the Famous-Barr downtown St. Louis unit which is preparing to convert both its seventh and eighth



Buster May examines his wares

floors (hardware, TV, china, etc) to check-out operation.

- Additional night openings at branch stores.

May was one of the pioneers in branch store development. Today its 39 branches contribute 44% of company volume and prexy May predicts "they will continue to gain a larger share of the total." Both branch and downtown units bring the May total to 50 stores. These are operated coast-to-coast under the May, Famous-Barr, Hecht, Kaufmann's, Taylor's, Strouss-Hirshberg, O'Neil's and Cohen's names.

The retail road has not been smooth. Says Dartmouth graduate May: "The distribution of merchandise has always been marked by competition and change." Among them are variety stores, chain stores, mail or-

der stores but "each time our company adjusted operations to satisfy the trend. We expect to continue to operate profitably even within a framework of [discount stimulated] increased price competition."

The going may still be rougher. May is not the only "regular" department or specialty store merchandiser to travel the discount route. Other major retailers such as Allied and Federated as well as smaller chains Lane Bryant and City Stores have also published discount intentions.

For years May has vied with competitors Federated and Allied for sales supremacy in the department store field (IR, Nov 12, 1958, *et seq*). In the January fiscal year which Buster calls "an uneven year for business" May volume inched slightly ahead of 1959 to \$684,800,000. This placed it No 2 in the race, barely ahead of Allied Stores but a full \$100,000,000 behind four-year leader Federated. Due to difficulty of adjusting plans and expenses to "the abrupt changes in sales volume," profits dipped 5% to \$22,600,000 or \$3.11 a share from \$3.28—still comfortably ahead of Allied but way behind Federated.

In the first (April) quarter this year the 47-year-old president "found the buying public more cautious than at any time since the recession began."

While sales were down only a fraction, Buster May admits "volume would have been off more except for three branch stores opened last August and two others in February and March of this year." Earnings reflected high break-in costs for

the new units, fell to 25¢ a share from 35¢.

Happily "business now appears to be recovering" and in May May's sales were 3½% ahead of last year. If conditions continue to improve Buster May expects "1961 will be a good one for both our sales and earnings." Currently midway in a five-year, \$100,000,000 expansion, he notes: "Our construction and store remodeling of the last few years has put us in an excellent position to realize a satisfactory return on a higher level of sales."

Meantime May has just attained one enviable goal in 1961. Its June dividend payment of 55¢ was the company's 200th consecutive quarterly. Only 52 other Big Board companies have matched this 50-year record and Buster May points out "ours is the only department store company among them."

MANUFACTURING Tool Tale

WHILE smallish (\$16,500,000 assets) Pendleton Tool Industries Inc of Los Angeles claims the distinction of being the nation's largest manufacturer of hand service tools, most mechanics would not recognize its corporate title. More familiar are the company's seasoned trade names Proto, P&C, Challenger, Fleet, Vlchek, Consolidated and Duplex. In fact its corporate moniker is almost the newest of them all. It was adopted in 1957 as a tribute to longtime president (since 1936) Morris B Pendleton and as an apt solution to a trademark dispute with Philadelphia hardware maker Fayette R Plumb.

Pendleton's old handle: Plomb Tool Company.

Under its varied trademarks 53-year-old Pendleton manufactures more than 2,000 wrenches, pliers, chisels and other hand service tools with about one-sixth of total industry volume. It also makes specialized tools for the auto, aircraft, railroad and other industries. Through acquisition of Vlcek Tool in January 1960, it has branched into molded plastic products like telephone components, football helmets, plastic boxes. Another subsidiary, Pico Precision Products, is investigating cryogenics while a third, Industrial Tools Manufacturing, turns out aircraft ground support equipment (example: ramps).

Despite its recent forays into other lines, tools remain far & away Pendleton's biggest business. President Pendleton estimated 43% of volume is in automotive maintenance and repair tools, another 27% in industrial and mill supply items, 18% plumbing and hardware. Only 5% is in plastics, 4% in cryogenics, 3% in aircraft ground items.

President Pendleton feels "our cryogenics and plastics lines should have a steeper growth curve than tools." One chip in the tool chest is foreign imports which "have been steadily increasing from a fraction of 1% right after the war to between 5-and-6% now." However at present Morris Pendleton does not consider imports much of a problem. "They are generally not up to our high standards and are also mostly the smaller tools which require lots of hand labor and weigh very little." He



Pendleton's Pendleton

does admit however their existence "has sharpened our manufacturing personnel and made us think twice about a price increase."

Over the years Pendleton Tool has hammered out slow but fairly steady gains in both sales and profits. Last year's record sales of \$21,800,000 were 7% ahead of 1959. Profits however were down to \$988,000 or \$1.82 a share from the peak \$1,140,000 (\$2.33) of 1959. Morris Pendleton blamed "the generally adverse economic climate and the cost of assimilating Vlcek Tool into our operations."

Business has picked up since and in the March 1961 quarter Pendleton upped profits 33% on only 8% higher sales. A contributing factor: Vlcek which operated in the red during the first quarter of last year is now profitable.

For the full year Morris Pendleton

has estimated sales at \$24-to-25,000,-000 with profits of \$2.25 a share "a certainty. And they could very easily exceed 1959's \$2.33." But per share gains may be limited since there are now 53,000 more shares outstanding including 50,000 sold last May to pay off notes issued to acquire Vlcek. All told Pendleton capitalization consists of 542,000 common shares and \$3,320,000 in long term debt. There are also options out for an additional 33,000 shares.

The common has had quite a rise recently in the over-the-counter market. From a low this year of around 16 (and 14 last year) it climbed to a recent peak of 27. Current quarterly dividend is 25¢ which Morris Pendleton says is "in line with our policy to retain sufficient earnings for growth. Over the past ten years we have paid out approximately 40% of our net after taxes and on two occasions [1956 and 1957] we have paid stock dividends." Adds Morris Pendleton: "We might consider another one later this year."

DRUGS

Smith Kline & French Fare

WHAT WAS a generally sluggish first quarter for most drug makers turned out to be just the contrary for \$110,000,000-assets Smith Kline & French Laboratories. The Philadelphia druggist reported a 5% increase in sales to \$37,700,000 with profits up more than twice that to \$6,700,000 or 46¢ a share from 40¢ last year.

The news was especially welcome because 1960 marked the first break in an eight-year string of steadily in-

creasing profits. Sales last year continued the uptrend with a 7% gain to \$145,000,000 but profits eased to \$24,000,000 or \$1.64 a share from \$1.72. President Walter S Munns blamed "the increased cost of doing business and increased expenditures for expanded services." Furthermore, "a favorable tax adjustment for 1959" cut that year's Federal income taxes to only 51.8% of reported pre-tax profits as against 53.5% last year and 53.8% in 1958.

Not the least of the increased costs experienced by Smith Kline are some of the new FDA requirements, particularly in the new product area "where they are demanding more & more clinical data all the time." As just one example Walter Munns points out the length of time for toxicity testing has been moved up from only three months to almost a year. Another expense is the added promotional literature now required in new drug packages.

To help combat these and other costs Smith Kline & French (labeled SKL on the Big Board) is in the midst of a big cost cutting program which incorporates what Walter Munns calls "sensible savings." Example: an "is this trip necessary" kind of thinking and, when the answer is "yes," a preference for tourist rather than first class flights. Also the company has consolidated a number of operations "which we discovered were costing us more than they were worth to us."

On the revenue side of the ledger are several promising new products. One is Parnate, an anti-depressant introduced last year. Walter Munns

says it "is performing better than we anticipated and we are most optimistic." SKL also hopes to sell Parnate's more powerful European counterpart Parstelin in this country.

Another hopeful is the well-publicized anti-viral drug developed in Sweden for which Smith Kline & French has US rights. However any earnings contribution from this yet-unbranded drug is still way in the future. President Munns notes "it is still definitely in the research stage and I can't make any prediction as to when we feel it will be good enough to submit for approval. On a long-range basis we are hopeful but it certainly won't be submitted this year."

SKL is also working on several anti-viral drugs developed by its own labs. To further work in this field, it recently completed a new vaccine-virology wing on its biological science building at the Philadelphia main plant. Also in the labs are "a number of promising leads that we believe will develop into new products."

For this year Smith Kline has budgeted research expenditures at \$14,400,000 which is \$800,000 more than last year. In budgeting "we allocate dollars where we can spend them intelligently. We don't just apportion percentages willy nilly." While the dollar amounts may vary, the company tries "to put an equal emphasis" on four areas—neuropsychiatry, cardiology, metabolism & nutrition and infectious diseases.

The Smith Kline & French product breakdown however is heavily

weighted toward neuropsychiatry. About 80% of company sales are in ethicals and about two-thirds of these are in tranquilizers and stimulants for the central nervous system. Such widely used tranquilizers as Compazine, Thorazine and the newer Stelazine plus stimulants Benzedrine, Dexedrine and Dexamyl make the company one of the most firmly entrenched in the mental health field. The rest of its drug sales are in nutritional, nasal, antihistaminic, dermatologic, analgesic, hormone and sulfa items.

Some Diversification

In January 1960 SKL diversified into veterinary drugs with the purchase of Norden Laboratories. Explains Walter Munns: "We get a by-product of animal research at little or no extra cost to us." A second acquisition was Julian Laboratories, bought for \$2,340,000 this March. It "has broadened our research in steroids." Smith Kline had worked closely with Julian for years and president Munns notes "the acquisition complements our work."

Of increasing importance to Smith Kline & French is its foreign business. Currently around 10% of total sales, "it is growing very nicely and currently faster than our domestic business."

To complement this trend Smith Kline will spend more than \$3,000,000 of an estimated \$5,000,000 total capital outlay on overseas projects this year. Emphasis is on Britain, Australia and to a lesser extent South Africa.

The company also sells in Canada, Latin America and Belgium. It re-



Animal research on drug effects

cently joined with the German affiliate of Rohm & Haas to set up Rohm & Haas Pharma GmbH which will take over the existing pharmaceutical business of the German company and also manufacture and sell Smith Kline products in Germany and Austria.

With these factors in mind president Munns feels prospects for his company are "exceedingly bright." However he "cannot promise our first quarter showing will be repeated in the succeeding portions of the year because the complex picture of sales and earnings can change markedly and often."

Meantime SKL stock is responding to current results. The company's 14,600,000 common shares (34% closely held) which are its sole capitalization trade only three points off their alltime peak of 64 scored in mid-1960. This is almost double the 1958 low and a 15-fold increase in the last decade.

OIL

Increased Oil Production, Better Marketing Conditions, Brighten Colorado Prospects

LIKE MANY of its industry brethren, Denver-headquartered Colorado Oil & Gas Corp has been through some hard times of late. In fact president William C Norman labels the recent past "perhaps the most difficult period in the history of the industry."

For Colorado Oil & Gas it was also its fledgling period. The company was formed in 1952 as a subsidiary of Colorado Interstate Gas. In 1954 it went public though Interstate still maintains a 51% interest. Relatively inactive up to 1954, Colorado Oil managed to increase revenues seven-fold and profits four-fold in its first public year. The future continued to look bright through mid-1957. Then began the troubles which were to plague the whole industry as well.

During this difficult period, in which "we have seen the disruptive effects on our domestic industry of the unrestricted inflow of cheap foreign oil and the imbalances created by gearing up to meet the Suez crisis," Colorado watched profits drop from a peak 75¢ a share in 1957 to a deficit the following year. In 1959 they recovered to 63¢ a share.

But they sloughed off again to \$1,850,000 or 43¢ a share in 1960 as the company's problems were further aggravated during the first half of last year by "the most extended and severe price war in recent history" in Colorado's Mid-Continent operating area.

For a while the whole oil industry situation appeared so bleak that in "a measure of diversification" Colorado in 1958 stepped afield to acquire the James P Marsh Corp, one of the three largest manufacturers of pressure gauges. Bill Norman admits he had another reason as well. "We were worried that we could not absorb a tax loss carry-forward we had created by the large drilling program in developing the Greenwood and Keyes gas fields" in Kansas.

Happily the current picture is considerably brighter. Thanks to "increased oil production and improved marketing conditions for refined products in our territory" plus a number of internal economies, Bill Norman forecasts both peak sales and earnings for the current year. Volume is figured at \$51,000,000, up close to 10% from last year's \$46,450,000 which in turn represented a 31% increase in 1957-60.

More important, with "five months of 1961 behind us" he expects Colorado Oil will net \$4,443,000 or \$1.25 a share. In fact "it appears now that we have some cushion in the \$1.25 estimate which was prepared early in the year." However with "cautious and respectful recognition of what can happen in a volatile, competitive petroleum products market," Bill Norman prefers "to live with our \$1.25 projection at this time."

Also brighter is the performance of Colorado common. In the over-the-counter market the 3,000,000 common shares are quoted around 15. This is more than double last year's low though still well below

the peak 24 scored in 1957 when oil equities entertained considerably more public favor.

Should "earnings exceed forecasts" Bill Norman plans "to increase our exposure for exploratory drilling costs in an effort to discover new oil and gas revenues." At the end of last year Colorado Oil's leaseholds covered 2,400,000 acres along the Gulf Coast, in the Mid-Continent region of Kansas, Oklahoma, West Texas and Nebraska as well as in the Rockies, Canada and Alaska.

Exploration Areas

The company's exploration and drilling has "historically" been concentrated in Kansas and Canada. The popularity of Canada is due to the "availability of Crown leases in large blocks and the fact that it is generally a new, unexplored and favorable geological area." Thus despite the fact "prices and markets for both oil and gas in Canada are somewhat discouraging at the moment," Bill Norman feels "this is an area of great potential."

The popularity of Kansas is spurred by entirely different reasons: namely the development of the lucrative Greenwood gas field in southwest Kansas and also the "desire of sustaining oil production" in the area of the 1954-acquired Derby Refining division.

But at present Colorado Oil & Gas is spending "the greater proportion of our efforts" in the Rocky Mountain and Gulf Coast areas. Explains Bill Norman: "They have a greater potential for large reserves of both oil and gas which are readily marketable" and are now "contributing

the larger amount of our newly added oil and gas reserves."

But perhaps most interesting of all is the company policy of "setting aside a small percentage" of exploratory dollars for "long-shot high-potential areas" outside its usual areas of operation. In this category are its two Alaska programs.

In conjunction with partners Sinclair, Continental, Frankfort and BP Exploration, it is now actively drilling on some 750,000 acres in the Yakutat basin. This year's program calls for four 5,000-foot stratigraphic tests.

Another "promising area" for both oil & gas is northern Alaska where the company has about 100,000 acres under lease. Colorado Oil & Gas plans to pipe gas 400 miles from this area's Gubik field in northern Alaska to Fairbanks if it can sign a long-term gas sales contract with the military bases near that city. However Bill Norman notes the whole project is dependent on "the attitude of the Pentagon as to the long-term necessity of military bases in Alaska."

Looking ahead Bill Norman expresses his "confidence about the bright future" of Colorado Oil & Gas. He says: "If we were able to start off seven years ago from scratch with only undeveloped properties and a small amount of cash and to build Colorado to its current rate of earnings and financial stability during a rough economic period for the industry, I am sure there should be no doubt of anyone as to our ability to continue to grow and prosper and to better our past records."

UTILITIES

Black Hills View

THOUGH SOMEWHAT of a pygmy compared to a major utility, \$30,000,000-assets Black Hills Power & Light Company has performed more like a giant. The Rapid City, SD utility which serves such colorfully named towns as Deadwood and Lead as well as tourist-drawing Mount Rushmore has more than doubled revenues in the past decade to \$7,400,000 in the year ended last October. In the same period net income nearly tripled to \$1,240,000. Because of equity financing, share results have not kept pace. However they did climb from \$1.85 in 1951 to \$2.56 last year.

The South Dakota utility was formed in 1941 when it acquired Dakota Power Company and the Dakota properties of General Public Utilities Inc (no relation to \$1.1 billion-assets General Public Utilities Corp) which in turn had been controlled by Community Power & Light. The latter was one of the old utility empires forced to divest itself under the Death Sentence clause of the Holding Company Act.

Current Black Hills president Neil G Simpson and chairman James Benjamin French both served with its forerunners. Elaborates president Simpson: "Our chairman JB French was very instrumental in forming Black Hills Power & Light. He had been manager of both its predecessor companies, was on the board of General Public Utilities. When Community Power was forced to break up he got a group of men together to purchase the Dakota properties" and

subsequently sold \$2,500,000 worth of common and preferred. Missouri-born JB then became first president.

As for Neil Simpson, "I began working for Dakota Power as a store room clerk in 1937 while I was attending the South Dakota State School of Mines in Rapid City." After graduating with a general engineering degree Neil Simpson went to work for the company full time. The 48-year-old executive who has worked "in every part of the company except the power plant" became vice president when Black Hills was formed, president in 1957.

Black Hills has widened its territory through acquisition and now includes parts of eastern Wyoming. A recent acquisition was last year's \$600,000 purchase of the Hot Spring, SD properties of Central Electric & Gas. This left the company "the only investor-owned utility in the Black Hills region." It still has plenty of competition however from several rural cooperatives and the Government's Bureau of Reclamation.

Black Hills serves 32,800 customers, 27,000 of them residential & rural. Among its big bulk consumers are Ellsworth Air Force Base, one of the large SAC establishments, and Homestake Mining Company.

Customer needs are met from a generating capacity of 111,000 kw. About 20% of this comes from the \$5,500,000 Ben French station which went on line last November near Rapid City. Altogether in fiscal 1960 the utility spent a record \$5,200,000 on expansion.

Since the company's heavy construction program is now completed,

Neil Simpson notes "this year our credit for interest charged to construction will be considerably less" than last year's 52¢ a share. Because of this and the additional 32,800 common shares sold last Summer Neil Simpson thinks "our per share earnings will be about the same as last year" despite the fact "we will have an increase in revenues this year." In the six months ended April Black Hills netted \$1.31 a share v \$1.42 on 9% greater revenues.

Bespectacled Neil Simpson expects Black Hills profits to resume their advance in 1962. He believes "our future is very bright. The Defense Department has programmed over \$100,000,000 for missile facilities in this area. Homestake Mining is also expanding."

And although the utility's territory has a population of only 130,000 or just about the size of Albany, Neil Simpson stresses: "The Black Hills is one of the fastest growing parts of the country. The population of our cities has increased 38% in the past decade," double the average rate of the country.

Neil Simpson at French station



New Look at Atlantic Refining

**Veteran Oil Company
Claims New Strength,
Seeks Diversification**

TALL, LEAN, slightly graying 58-year-old Henderson Supplee Jr is a Philadelphia dairyman-turned-oil executive who says he "jumped into the oil business" in 1947 as a sales vice president for Atlantic Refining. Several years earlier National Dairy had bought the family-owned local dairy business of which he was then president.

To stay on meant a move to New York City and Henderson Supplee had his own ideas on the subject. These included "strong attachments in Philadelphia," not the least of which was his home "Elderbrook" in suburban Radnor where he also keeps a pet Thoroughbred. The decision to stay in Philly and join Atlantic proved propitious. Two years later Henderson Supplee was made executive vice president and in 1952 he assumed his present post of president and chief executive officer of the \$820,000,000-assets oil company.

On a recent morning in his Philadelphia office, a few hours after his daily morning canter which "helps me keep my sanity," the athletic executive paused from his duties to discuss some recent Atlantic doings. Most important, in 1960 Atlantic "reversed an unfavorable earnings trend" during which profits fell 39% from \$5.24 a share in 1956 to \$3.19 in 1959. Last year Atlantic did an abrupt about face. With earnings up 54% to \$46,600,000 or \$5 a share on only a 4% increase in sales, Hender-

son Supplee believes his company is stronger than ever before in its 91-year history.

The modern corporation's story goes back to the Standard Oil trust dissolution of 1911. When the great, integrated Standard machine was ordered to splinter off some of its units, says Henderson Supplee, "some were stronger than others. Atlantic for one was unusually handicapped." Basically a refiner, the company which controlled three Pennsylvania refineries was set up with little in the way of marketing facilities, no crude oil and no transportation equipment. It promptly began a drive for crude-oil self-sufficiency. But success has been a long time coming.

Progress was interrupted in War I with both crude and transportation especially tight. To help the war effort Atlantic stepped up its refining, supplied virtually all the aviation gasoline used in the war. But its patriotism only tended to aggravate its already top-heavy refining condition. Progress was further slowed by the Depression and War II.

Meantime, though still crude-poor, Atlantic began to supplement its refining by building up a substantial East Coast marketing business through a network of gas stations. Analyzes Supplee: "When I joined the company in 1947 it was top-heavy in marketing. It refined more than it produced, marketed more than it refined and was still extremely deficient in crude."

After War II, with the boom in

Middle Eastern and Venezuelan oil the East Coast marketing area became a "battleground" for the heavy crude producers. Atlantic was badly squeezed between increasing crude oil costs and unstable prices for refined products. Says Henderson Supplee: "A common principle I learned the hard way in the dairy business applied here as well. A company that cannot compete with others in supply of raw materials is in for real trouble."

Thus in 1954 Atlantic moved decisively toward a remedy. First step was the sale to British Petroleum Company of its entire Eastern Hemisphere marketing operations, a network Atlantic had built up over 30 years. Today Atlantic's direct marketing is restricted entirely to the Eastern United States save for a subsidiary in Brazil.

Proceeds from the sale were used to purchase producing properties. Biggest purchase was the 1956 acquisition of Houston Oil Company which had producing properties in Texas, Louisiana, New Mexico and Wyoming. The deal involved \$75,000,000 cash and production payments of \$125,000,000. At present Atlantic receives only 15% of the production while the remainder goes to satisfy the payments. These are expected to be completed in mid-1967 after which Atlantic will get the full benefits of production.

In another domestic move Atlantic teamed with Cities Service, Tidewater and Continental Oil in the so-called CATC group which is the largest holder of concessions in the Gulf of Mexico.

Atlantic also went abroad for oil. Chief source of foreign crude is Venezuela. It began acquiring concessions on Lake Maracaibo in 1956. Since then it has experienced "exceptional" drilling success. Production last year was more than 51,000 barrels a day, up 43% from 1959. With the completion of two additional flow stations capacity should nearly double this year. But the increases may not prove equally lucrative if the Venezuelan Government goes through with its plan to increase taxes from their current steep 70% level. Last year Atlantic also added concessions in Libya and the Spanish Sahara to its areas of foreign exploration.

Increased Reserves

As a result since 1955 Atlantic has increased its estimated oil reserves 72% to 884,000,000 barrels. Natural gas reserves of 3.9 trillion cubic feet are up 32% in the same period. Says pleased president Supplee: "Just in these past few years Atlantic has finally become self sufficient in raw materials." The company's current ratio of crude production to refinery runs now stands at 81%, up from 64% just two years ago and an average 55% in the 1948-58 decade. Henderson Supplee further observes: "Were it not for artificial restrictions of oil production pro-rationing in Texas and import quotas, we would now have a crude surplus."

Its new-found raw material strength is just one reason equestrian Supplee credits the No. 12 petroleum company with a "new look." He also cites improvements in marketing "which strengthen us for price com-

petition. Highly regarded, for its size, as a marketer by the industry," Atlantic has further strengthened its position by "building up brand acceptance" and "strengthening our distribution system." Today Atlantic sells nearly all its gasoline under its own name, a company goal for the last decade. About half of gas & motor oil sales are through the 2,900 red, white & blue owned or leased Atlantic service stations which stretch the length of the East Coast. The rest goes to independent distributors, other contract dealers, commercial and Government accounts.

Upgraded Mix

In another area Atlantic has "upgraded its mix of refined products." For instance last year production of gasoline and naphtha was up 5%, that of byproducts lubricating oils, chemicals, etc was up 18% while low-profit residual fuels decreased 15%. One leading item off the top of the barrel is Atlantic's popular "Imperial" premium gasoline. Imperial sales last year were up 12% even though the industry as a whole was unable to raise the proportion of premium gas sales above 1959.

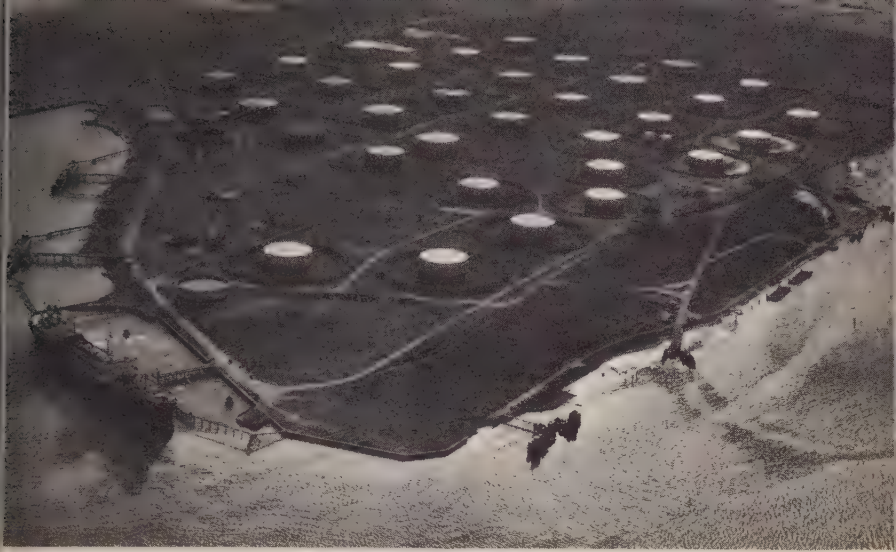
Other high-profit products include wax (Atlantic produces about 12% of US needs), asphalt and synthetic detergents. Last year Atlantic increased wax production by nearly 50% with expanded facilities at its Philadelphia refinery. Late last year it completed a new 2,500,000-gallon asphalt storage terminal near Syracuse. Also under construction is a 50,000,000-gallon aromatics plant being built in partnership with Pure Oil at Nederland, Texas.

While striving to better its product lines Atlantic has also campaigned on cost cutting in recent years. Explains Henderson Supplee: "Oil companies used to be geared for expansion with the industry but they can no longer count on that 5% increase in demand growth each year. Consequently we, like all of them, have had to cut down expenses and become more efficient." One cut has been in employees who now total 13,000 compared to 15,000 at the end of 1959. This economy was partially offset by a 5% industry wage increase granted last December. Nevertheless president Supplee stresses: "The whole company has been made more productive."

The new look has brought a bright improvement in Atlantic profit margins. Last year's net represented an 8.3% margin on sales of \$561,000,000 v only 5.6% retained from the \$541,000,000 sales of 1959.

While Henderson Supplee admits the comparison might be somewhat distorted since 1959 was "an abnormally slow year," the first quarter of 1961 showed even more impressive gains with profits up 70% to \$14,900,000 or \$1.60 from 93¢. Sales in the quarter rose 3%. President Supplee says the second quarter started "better than last year and better than we budgeted." The cautious president gives no further projections but for the full year Wall Streeters estimate earnings around \$6 a share which would be a new high for the company.

The 9,100,000 shares of Atlantic common have reacted accordingly. On the Big Board AFI is quoted only



Atlantic tanker loads crude on Texas Gulf

six points off its alltime high of 60 and up from 42 earlier this year. The previous high, adjusted for a 2½-for-1 split in 1952, was 53 in 1959. The company has paid 50¢ quarterly since 1952 but Wall Street rumors anticipate an increase soon. Responds president Supplee: "The company's improved earnings now justify consideration of an improvement in the dividend when management is reasonably assured it can maintain a regular increase. I hope that will be in the not distant future."

With its internal machine now well-oiled Atlantic management is increasingly diversification-minded. At the annual meeting last month stockholders approved an amendment which authorized Atlantic to engage in activities other than petroleum. Offers head man Supplee: "While we have been charting a course which has brought solid improvement in our basic business, in these competitive times we cannot

refrain from supplementing it with profitable new activities. Fortunately our strengthened financial position now gives us the flexibility to move ahead in new directions."

What they will be, "it's too early to be specific. We now have a task force working to seek them out—preferably from related fields. We don't want to make toy balloons. We're also considering new possibilities in all our present areas as well as new, young companies attractive for investment."

As for one obvious diversification route where Atlantic has only a very minor toehold: "We're not carried away for one minute by the glamor of petrochemicals which has grown like a rushing babe and now faces problems of overcapacity." However Henderson Supplee concedes: "There are attractive growth prospects here. Our job is to carve out certain areas in which we can achieve success."



In an era in which investors place a special premium on growth, any company which manages to rapidly expand its business certainly invites attention. But such attention will often lead to far less enticing findings in the profit column—as demonstrated in many of the tabulations on the facing page. Even a spectacular rate of sales growth is not necessarily translated into quick growth for stockholders.

The table lists 26 Big Board and two Amex companies whose sales have tripled in the past five years—which means they maintained an average annual gain of 25% compounded. Since it takes very little increase in actual dollars for a company just starting in business or with an otherwise low sales base to multiply its volume in percentage terms, only companies with 1955 sales of at least \$6,000,000 have been included.

Active merger policies accounted for a substantial part of the gain in a number of companies (examples: Consolidated Electronics Industries, Siegler). In some cases the whole company has been reshaped. Onetime ice & fuel distributor City Products became primarily a merchandiser after the 1960 acquisition of \$200,000,000-a-year Butler Bros (IR, January 4). And while Philadelphia & Reading Corp retains a minor subsidiary in the hard-pressed hard coal business, it is now a holding & management company with by far its biggest interest in Fruit of the Loom underwear and other clothing lines.

Profit Position. Carrying sales gains through to net is a universal corporate headache. For many of these fast-growing companies, heavy issuance of stock for acquisitions or to finance internal expansion makes the gains on each shareholder's share even slimmer. A number of companies in the table—Litton, Texas Instruments, Brunswick Corp, to name a few—have also shown sharp gains in per share profits. But often the gain is nominal or there is even a decline in share earnings. Saddest story is Northeast Airlines whose volume gain stems largely from the five-year award of a Florida route in November 1956. But the extra expense plus end of subsidies has brought the line increasingly serious deficits ever since.

Nor are gains necessarily steady. And obviously no one can guarantee them for the future. Even highly successful Polaroid found last year's \$2.26 a share profits, though up 250% since 1955, below the 1959 peak of \$2.78. So far this year earnings are still going down. TV tape recorder specialist Ampex found its lusty career interrupted by competitive and product woes, is expected to report a deficit for the year ended April though it hopes for renewed gains in the future.

The final columns of the table point up still another consideration: where the profit record has been good, it has usually been outstripped by a jet-propelled climb in the stock. In fact, even when the record has been fairly moderate, the glamor of rapid expansion has often lifted the stocks. But there is also a further warning: even temporary periods of profit decline and uncertainty can lead to sharp sell-offs in the stock.

A LOOK AT SOME SALES TRIPLERS

Listed Companies Which Tripled Sales in Five Years

(see story on opposite page)

Company	Sales			Adjusted Net a Share		Common Stock Prices		
	1955	1960	% Gain	1955	1960	1955 Low	1960- High	Recent Market
Litton Ind	\$ 8.8	\$187.8	2,034%	\$.21	\$1.76	5	143	125
Thiokol Chem	13.5	171.5	1,170	.20	.76	2	61	44
Brunswick	38.6	359.9	832	.15	2.28	1	74	56
Cons Electronics	11.0	92.9	745	1.04	1.26	19	60	40
Texas Instrumts	28.7	232.7	711	.50	3.91	10	256	181
Siegler	10.5	84.1	701	2.76	1.71	11	43	30
Food Giant	19.0	136.7	620	d1.49	1.82	9	55	47
Ampex	11.1	74.2§	568	.08	.03§	1	42	23
Stand Packaging	24.1	140.7	484	.50	.97	8	36	25
Amer Petrofina	12.7	73.8	481	.44	.18	12†	8	7
Marquardt	11.3	65.5	480	.38	.86	7	40	21
Air Control Prods	6.3	31.2	395	.35	.74	3	20	12
Northeast Air	7.9	35.4	348	.39	d6.06	6	6	6
Korvette (E J)	36.3	157.5	334	1.18	2.23	12†	68	50
Contl Air Lines	13.8	56.7	311	.83	.93	11	12	11
Hewlett-Packard	15.3	60.2	294	.14	.43	4†	53	38
Decca Records	22.6	85.4	278	2.37	4.30	15	47	40
Polaroid	26.4	99.5	277	.64	2.26	7	261	221
Symington Wayne	15.4	58.0	277	.90	1.35	7	18	18
Howe Sound	25.5	95.0	273	1.75	1.55	16	24	19
Holt, Rinehart	10.4	38.6	271	.20	.97	1	45	36
Kerr-McGee Oil	45.2	156.3	246	.65	1.36	17	57	48
Magma Copper	18.8	63.6	238	5.43	6.39	57	63	56
City Products	81.3	265.0	226	1.65	1.90	15	32	31
Amer Photocopy	9.3	29.8	220	.17	.57	2†	45	35
Phila & Reading	47.7	147.4	209	d1.14	2.56	6	65	57
Ryder System	31.8	98.1	209	1.35	.24	6	34	18
Raytheon	175.5	540.0	208	.39	3.01	12	50	40

†Not quoted in 1955; low for first year with public market.

§12 mos ended Jan 1961.

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HAZARDS AND HANDICAPS

Skin divers are known to be seized on occasion with something called "rapture of the depths." As they dive, a feeling of great joy and euphoria comes over them, and they go deeper and deeper, forgetful of the dangers of increasing water pressure and decreasing oxygen.

Some investors suffer the same sort of seizure in reverse, as it were. They are subject to a malady that we call "rapture of the heights." Because the market averages have been moving upward in recent months, they think stock prices will go on rising forever. They forget that there are risks as well as rewards for shareowners, that money can be lost in the stock market as well as made.

Investing, like skin diving, is beset with hazards, and both are subject to the same rules. First, be sure you can swim before you dive in. Second, watch out for shoals and sharks. And third, beware of raptures, whether they are of the depths or the heights.

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